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C O N F I D E N T I A L SECTION 01 OF 04 CARACAS 000257

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SUBJECT: THE BOLIVARIAN REVOLUTION ADVANCES: WHAT'S NEXT?

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Classified By: POLITICAL COUNSELOR FRANCISCO FERNANDEZ,
REASONS 1.4 (B) AND (D)

[1](#)1. (C) Summary. After winning public approval for the elimination of term limits, President Chavez publicly declared his intention to accelerate his Bolivarian Revolution which will almost certainly concentrate even more power in his hands. Chavez has not yet revealed how he intends to do so, but all our interlocutors agree that the process will feature efforts to maintain Chavez's political base at the expense of the opposition. At a minimum, he will begin to implement the 26 sweeping decree-laws promulgated in 2008 that codified key elements of the failed 2007 referendum. More extreme views speculate that Chavez will seek a constituent assembly to rewrite the 1999 Constitution and force early presidential elections. It is unclear, however, the extent to which Venezuela's economic problems will temper Chavez's ambitions. Most local analysts see recent overtures to the opposition as political theater with little substance. On bilateral relations, pundits see little chance for improvement despite government rhetoric, and even Chavistas supportive of strengthened ties do not see things improving until at least the medium term. End Summary.

Accelerating the Revolution

[1](#)2. (C) President Chavez framed the February 15 referendum on eliminating term limits as a plebiscite on his presidency and his public policies. Chavez publicly declared voters' approval of his amendment proposal an endorsement of his vaguely-defined "Socialism of the 21st Century" and promised to accelerate his Bolivarian Revolution. To date, his political agenda has concentrated more and more power in his own hands. While there is consensus in Venezuela that Chavez intends to do exactly that, local pundits disagree on how far and fast the Venezuelan president will press ahead. All our interlocutors stress that only Chavez himself will decide what next steps to take. When Poloffs recently asked PSUV National Assembly member Calixto Ortega what the legislature's post-referendum priorities are going to be, he said, "We will have to come up with an agenda first." Our interlocutors also emphasize that Chavez must factor in the GBRV's significantly reduced revenue inflow due to lower oil prices.

13. (C) Most local pundits believe Chavez will start implementing the 26 decree-laws he promulgated in mid-2008. The 26 decree-laws mirrored a number of the proposals of the constitutional reform package that Venezuelan voters rejected in the December 2007 referendum. Among the measures Chavez could put in motion is the Organic Decree on Public Administration, which would allow him to create new "decentralized functional and territorial" entities, as well as appoint new regional authorities. He could also further develop the five new regional military districts, as well as neighborhood-based militias, or "defense committees." Such measures would significantly undermine the authority of state and local governments, particularly the five newly elected opposition governors and opposition mayors. With respect to the economy, Chavez has the authority to regulate directly the production and prices of "essential" food, goods, and services. He can also simply expropriate property linked to anything deemed essential and settle on compensation later.

14. (C) Chavez is already making it difficult for opposition governors and mayors to govern. Pro-Chavez former municipal contract workers are occupying Caracas City Hall and other municipal buildings. Caracas Mayor Antonio Ledezma allowed their contracts to expire on January 1 without renewing them, alleging that the employees had "no-show" positions or were assigned to conduct pro-government political work. Venezuelan Vice President Ramon Carrizales recently declared publicly that no one is "occupying" Caracas buildings, but rather Ledezma had "abandoned" them. Gerardo Blyde, Mayor of the Baruta Municipality of Caracas, told the Charge February 20 that he expected the GBRV to withhold central government funding from opposition-run states. Blyde noted that

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municipalities have the ability to raise their own tax revenues (Baruta generates 90% of its revenue), but state governments rely almost entirely on central government funding.

15. (C) Rumors are also circulating in political circles that Chavez will soon undertake another cabinet shuffle. Chavez routinely changes ministers in his cabinet, such that no minister gains significant experience -- or power -- in any particular area. Moreover, the Venezuelan president tends to rotate longtime loyalists rather than promote new leadership within his United Socialist Party of Venezuela (PSUV). Vice President Ramon Carrizales and Finance Minister Ali Rodriguez are among the senior GBRV leaders rumored to be rotated out of the cabinet. Former tax authority (SENIAT) director Vielma Mora may be rotating back in. Foreign Minister Nicolas Maduro appears comfortable where he is.

16. (C) Local political analyst John Magdaleno told PolCouns February 19 that he expected Chavez to do everything possible to protect his popular social programs. Magdaleno predicted that the Venezuelan president would seek to make up for lost oil revenues by enacting a series of tax and regulatory measures that transfer resources from middle and upper income Venezuelans to Chavez's political base of poor Venezuelans. He and other pundits note that Chavez may expropriate large Venezuelan firms, such as Polar, the large food and beverage company generally associated with the opposition. While Chavez will have less money to spend on government take-overs, he can expropriate Venezuelan firms on his own terms without having to confront possible international arbitration. Moreover, he is still the only Venezuelan politician capable of persuading the majority of poor Venezuelans that better times lie ahead.

17. (C) Other local analysts believe Chavez will need yet another electoral campaign to rally his base and vilify the opposition. Nationwide municipal council elections should be held in August, but two pro-Chavez parties have already suggested postponing these elections and possibly combining them with parliamentary elections scheduled for late 2010. They suggest Chavez will need to create a bigger electoral battle in 2009 to distract public attention from Venezuela's economic problems. Pollster Alfredo Keller told PolCouns recently that he expected Chavez to convene a Constituent Assembly to write a new constitution. Keller suggested that Chavez would use a constitution-writing process to convoke an early presidential election to win re-election to a third term before Venezuela's economic problems become more severe.

18. (C) Opposition insiders fear Chavez will put even more pressure on his critics and civil society. Local newspapers report that the GBRV is considering revising the omnibus broadcasting law, specifically to examine how the GBRV could force cable networks to cover, or at least not compete with, Chavez's frequent, mandatory nationally-televised speeches ("cadenas"). The Education Ministry is reportedly dusting off its oft-postponed (due to public pushback) plans to revise Venezuela's school curriculum to make it more ideologically harmonious with the GBRV's socialist vision. The opposition also suspects the GBRV may decide to finally pull the trigger on long-rumored decisions to:

- close opposition-oriented cable news station Globovision;
- imprison opposition Maracaibo Mayor Manuel Rosales on corruption charges;
- pass a restrictive international NGO cooperation law; and,
- force out the only independent National Electoral Council rector.

Lip Service to Political Dialogue

19. (C) In his post-referendum victory speech from the balcony of the presidential palace, Chavez called the elimination of term limits a victory for his supporters and the opposition. He told international reporters just prior to the vote that he is disposed to reach out to his critics. Former Vice President Jose Vicente Rangel recently told the local media that he believed the GBRV needed to take note of the fact that over five million Venezuelans voted "No" in the referendum and underscored the need for greater government-opposition dialogue. Manuel Cova, leader of the

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opposition-oriented Confederation of Venezuelan Workers (CTV) told the Charge February 20 that prior to the referendum, Labor Minister Roberto Hernandez invited and cordially received Cova in his office. Cova speculated that the unexpected and Labor Ministry-publicized courtesy call was an effort to show some GBRV moderation prior to the referendum.

110. (C) During his February 20 speech before a civic-military parade, Chavez reverted to excoriating the opposition, noting that "we will never pardon traitors" in the Bolivarian Revolution. PSUV National Assembly Deputy Calixto Ortega told PolCouns that it was the opposition that is uninterested in political dialogue. He noted confidently that the referendum electoral results, if repeated in 2010, will give the PSUV and its allies some 70 percent of the seats in the legislature. Few opposition leaders or pundits actually expect the GBRV to try to engage in genuine dialogue. Instead, they expect the GBRV to try to blame Venezuela's economic problems on the government's political opponents and on the United States. Baruta Mayor Gerardo Blyde suggested that by withholding funding from state governments, the GBRV may try to pass the buck from the central government to the states.

Go Slow on Bilateral Relations

¶11. (C) While President Chavez publicly suggested that "anytime is a good time" to meet with President Obama, the GBRV is also stressing that it is not in a hurry to improve bilateral relations. In fact, President Chavez told state media February 27 that one "shouldn't have hold out big hopes for new U.S. administration," because the United States "continues to be imperialist." The MFA continues to harass Embassy operations at the same time that MFA officials pledge that they want to "turn the page" on reciprocity issues. The GBRV continues to withhold visas from American personnel permanently assigned to Embassy Caracas and to deny TDY visas to USG officials. The GBRV also continues to drag its feet on the importation of armored eight-cylinder vehicles needed for the Embassy's motor pool, the refund of value-added taxes, and the issuance of diplomatic credentials and license plates (Reftels).

¶12. (C) PSUV National Assembly Deputy Calixto Ortega, whom the GBRV recently dispatched to Washington to defend the elimination of term limits, told PolCouns February 18 that the GBRV wants a better relationship with the USG "over the medium term." Ortega said GBRV officials were bothered by the President's criticism of Venezuela in his January Univision interview, but said GBRV officials welcomed a "change in tone" in USG press comments before and after Venezuela's February 15 referendum. He also expressed appreciation for the "cordial" meetings he held on the Hill and at a prominent Washington think tank. Ortega suggested that only Chavez could authorize any significant improvement in bilateral ties.

Playing to the Electorate

¶13. (C) The past two elections have borne out that about 40 percent of the population is against Chavez, 20 percent solidly behind him, and another 10 percent disengaged. The remaining 30 percent, whom local pollster Alfredo Keller labeled "transactional voters", supports whomever provides the best direct benefits and is the key to continued electoral success in Venezuela. At its simplest, Chavez's message is aimed at keeping this group on his side. The "socialism of the 21st century" will thus likely be a process whereby those opposed to him lose benefits or pay for programs aimed at keeping the transactional voters in check. Social issues, such as crime or corruption, will only be addressed by the government when they begin to directly effect this group and their cost is considered greater than the benefits being received.

¶14. (C) Bilateral relations will also be guided by similar criteria. To date, the government's conventional wisdom has been that an adversarial relationship with the United States in which Chavez stands up to the "empire," and solidarity with similarly disposed foreign leaders, seems to elicit some level of support from his nationalist base. Moreover, this group's relative lack of knowledge and experience with the United States makes them more susceptible to the Government's

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invective. The arrival of a new administration in Washington thus provides an excellent opportunity to reach out to these voters and change the conventional wisdom. If we are unable to do so, however, there may be little desire on the GBRV's part for real improvement in the bilateral relationship.

The Economy Is the Wild Card

¶15. (C) Local analysts debate what effect Venezuela's economic problems due to low oil prices will have on Chavez's ability to pursue his ambitions. One school suggests that

Chavez will have to moderate for his political survival. Others argue that Chavez will exploit an economic crisis to radicalize further. They also stress that Chavez reacts negatively to criticism and will likely blame any economic difficulties on those who oppose him, both domestically and internationally. Local pessimists argue that with fewer carrots to offer as a result of depleted government coffers, Chavez is likely to resort to using more sticks, especially against those outside his political base. While Chavez has tempered his actions when he senses that he is endangering himself politically, including after the 2002 interregnum and the 2007 referendum defeat, Embassy interlocutors stress that the instinctively authoritarian Venezuelan president never loses sight of his principal goal -- the concentration of power.

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